

**REPORT OF THE AUDIT OF THE
KENTON COUNTY SHERIFF**

**FOR THE PERIOD APRIL 4, 2007
THROUGH APRIL 1, 2008**

**- WITH -
INDEPENDENT AUDITORS' REPORT**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE KENTON COUNTY SHERIFF'S SETTLEMENT - 2007 TAXES

For the Period April 4, 2007 Through April 1, 2008

We have completed the audit of the Sheriff's Settlement - 2007 Taxes for Kenton County Sheriff (for the period April 4, 2007 through April 1, 2008). We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$103,087,686 for the districts for 2007 taxes, retaining commissions of \$2,944,011 to operate the Sheriff's office. The Sheriff distributed taxes of \$99,988,764 to the districts for 2007 taxes. No additional taxes are due to the districts from the Sheriff and no additional refunds are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
TABLE OF CONTENTS
FOR THE PERIOD APRIL 4, 2007 THROUGH APRIL 1, 2008

Independent Auditors' Report	1-2
Sheriff's Settlement Statement – 2007 Taxes.....	3-4
Notes to the Financial Statements	5-7
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	8-9

BERTKE & SPARKS, INC.

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

ANDREW J. BERTKE, CPA, MBA
GEORGE S. SPARKS, JR., CPA
HAROLD P. KREMER, CPA

Independent Auditors' Report

To the People of Kentucky
The Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
The Honorable Ralph Drees, Kenton County Judge/Executive
The Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

We have audited the accompanying Sheriff's settlement 2007 Taxes of the Sheriff of Kenton County, Kentucky, for the period April 4, 2007 through April 1, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the audit Guide for county Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statement on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement, referred to above, presents fairly, in all material respects, the Sheriff's settlement 2007 Taxes for the period April 4, 2007 through April 1, 2008, in conformity with the modified cash basis of accounting described in Note 1.


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In accordance with Government Auditing Standards, we have also issued our report dated June 17, 2009, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

A handwritten signature in cursive script, appearing to read "Barth & Spahr, LLP".

June 17, 2009

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES

For the Period April 4, 2007 Through April 1, 2008

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	12,525,789	17,432,843	53,233,041	11,015,537
Tangible Personal Property	1,055,253	2,062,988	3,569,472	2,039,877
Intangible Personal Property	-	-	-	-
Increases Through Exonerations	66	151	205	291
Franchise Taxes	287,154	439,365	982,839	-
Penalties	57,427	86,564	264,850	53,307
Adjusted to Sheriff's Receipt	3	-	-	-
Gross Chargeable to Sheriff	<u>13,925,692</u>	<u>20,021,911</u>	<u>58,050,407</u>	<u>13,109,012</u>
 <u>Credits</u>				
Exonerations	18,698	75,020	84,650	16,385
Discounts	224,936	318,675	935,522	217,784
Delinquents:				
Real Estate	-	-	-	-
Tangible Personal Property	10,445	15,312	37,702	21,060
Intangible Personal Property	-	-	-	-
Delinquent Franchise Taxes	<u>7,495</u>	<u>14,136</u>	<u>21,516</u>	<u>-</u>
Total Credits	<u>261,574</u>	<u>423,143</u>	<u>1,079,390</u>	<u>255,229</u>
Taxes Collected	13,664,118	19,598,768	56,971,017	12,853,783
Less: Commissions*	<u>580,730</u>	<u>677,270</u>	<u>1,139,432</u>	<u>546,579</u>
Taxes Due	13,083,388	18,921,498	55,831,585	12,307,204
Taxes Paid	13,062,468	18,894,662	55,745,058	12,286,576
Refunds (Current and Prior Year)	<u>20,920</u>	<u>26,836</u>	<u>86,527</u>	<u>20,628</u>
(Refunds Due Sheriff) as of Completion of Fieldwork	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*and ** See Next Page

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
SHERIFF'S SETTLEMENT - 2007 TAXES (CONTINUED)

For the Period April 4, 2007 Through April 1, 2008

*** Commissions:**

10% on	\$	-	\$	-
4.25% on	\$	41,327,094	\$	1,756,682
2% on	\$	56,970,648	\$	1,139,432
1% on	\$	4,789,635	\$	47,897

****School Districts**

Common School		<u>-</u>
(Refunds Due Sheriff)	\$	<u><u>-</u></u>

(See Independent Auditor's Report and Notes to Financial Statements)

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS
APRIL 1, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
APRIL 1, 2008

NOTE 2 DEPOSITS

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 1, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

NOTE 3 TAX COLLECTION PERIOD

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 28, 2007 through April 1, 2008.

NOTE 4 INTEREST INCOME

The Kenton County Sheriff earned \$6,231 as interest income on 2007 taxes. Since the schools' portion of the tax collections were distributed weekly, it would be unfeasible to calculate their portion of the interest earned as required by statute; therefore, the interest is to be used to operate the Sheriff's office. As of April 1, 2008, the Sheriff owed \$6,231 in interest to his fee account.

NOTE 5 SHERIFF'S 10% ADD-ON FEE

The Kenton County Sheriff collected \$358,672 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. These fees have been properly transferred to his fee account.

KENTON COUNTY
CHARLES KORZENBORN, SHERIFF
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
APRIL 1, 2008

NOTE 6 ADVERTISING COSTS AND FEES

The Kenton County Sheriff collected \$32,814 of advertising costs and \$18,220 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

NOTE 7 UNREFUNDABLE DUPLICATE PAYMENTS AND UNEXPLAINED RECEIPTS

The Kenton County Sheriff has \$841 of unrefundable duplicate payments and unexplained receipts related to 2007 taxes that are maintained in an interest bearing account. According to 393.110, the Sheriff should properly report annually to the Treasury Department and unclaimed monies. KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned and abandoned funds are required to be sent to the Kentucky State Treasurer according to KRS 393.110.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Ralph Drees, Kenton County Judge/Executive
The Honorable Charles Korzenborn, Kenton County Sheriff
Members of the Kenton County Fiscal Court

We have audited the Sheriff's Settlement – 2007 Taxes – modified cash basis of the Sheriff of Kenton County, Kentucky, for the period April 4, 2007 through April 1, 2008, and have issued our report thereon dated June 17, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sheriff of Kenton County, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff of Kenton County, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff of Kenton County, Kentucky's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sheriff of Kenton County, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting which is a comprehensive basis other than accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Sheriff of Kenton County, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the Sheriff of Kenton County, Kentucky's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sheriff of Kenton County, Kentucky's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sheriff of Kenton County, Kentucky's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or audit requirements prescribed by the Auditor of Public Accounts, Commonwealth of Kentucky.

This report is intended solely for the information of the Sheriff and Fiscal Court of Kenton County, Kentucky and the Department for Local Government and is not and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Beth L. Spader". The signature is fluid and cursive, with the first name "Beth" clearly legible and the last name "Spader" written in a more stylized, cursive script.

June 17, 2009